

Minutes of the Centerville **City Council** meeting held Tuesday, February 17, 2015 at 7:05 p.m.
in the Centerville City Hall Council Chambers, 250 North Main Street, Centerville, Utah.

MEMBERS PRESENT

Mayor Paul A. Cutler

Council Members Ken S. Averett, arr. at 7:25 p.m.
Tamilyn Fillmore
John T. Higginson
Stephanie Ivie
Lawrence Wright

STAFF PRESENT

Steve Thacker, City Manager
Lisa Romney, City Attorney
Jacob Smith, Management Assistant
Randy Randall, Public Works Director
Kevin Campbell, City Engineer
Dave Walker, Drainage Utility Supervisor
Marsha L. Morrow, City Recorder

STAFF ABSENT

Blaine Lutz, Finance Director/Assistant City Manager

VISITORS

Fred Philpot, Lewis Young Robertson & Burningham
Interested citizens (see attached sign-in sheet)

PLEDGE OF ALLEGIANCE

PRAYER OR THOUGHT

Councilman Lawrence Wright

OPEN SESSION

Spence Packer, Centerville resident – Mr. Packer said he is representing the Whitaker Museum Board of which he is a member. He wanted to give a brief report. The Policy & Procedures document the Board has been working on has now been given to Steve and Lisa for their review. He said they recognize it will take some time, since it is quite a lengthy document. Mr. Packer said he had two things he wanted to speak to the Council about tonight. First, the effort that went into that document. One Board member took that upon herself and spent literally over 100 hours preparing and researching to pull information together to put a policy together that would be applicable to their Museum. He said that person was Nancy Smith. Second, they had a computer program called Past Perfect, specifically for museums. A lot of information was kept on that program (5-7 years of work). That information was lost at one time when a computer melted down, recovered and then lost again. But through the efforts of Lisa Bednarz she found a copy of a backup and was able to recover that information. He wanted to recognize her. He said the Board appreciates the support of staff.

PUBLIC HEARING – DRAINAGE UTILITY FEES

Mayor Cutler said for the record Councilman Averett is stuck in traffic but will hopefully be joining them in a few minutes. Mayor Cutler welcomed those who were in attendance for the public hearing on the drainage utility. He informed the audience of the procedure for this public hearing. He said Steve Thacker, City Manager will make a presentation summarizing the information regarding the drainage fees and he will be followed by the City's financial consultant

1 Fred Philpot, who has been helping to analyze how to pay for these improvements. Following
2 his report there will be a public hearing to receive public comment.
3

4 Steve Thacker introduced others who could be assisting tonight: Fred Philpot, financial
5 consultant from Lewis Young Robertson & Burningham; Randy Randall, Public Works Director;
6 Kevin Campbell, City Engineer; and Dave Walker, Drainage Utility Supervisor. They may be
7 called upon to answer questions that may arise. Mr. Thacker explained the comment cards—
8 i.e., anyone who did or didn't want to speak in the public hearing could fill out one of these cards
9 and leave in the box.
10

11 Mr. Thacker explained that a city's drainage system is very critical to its sustainability
12 and is critical to all the other infrastructure and development in the city. He said Centerville City
13 has put a great deal of attention to its drainage system. Communities that don't give attention to
14 their drainage systems pay a high price in the long run. The City is dealing with a very
15 fundamental and critical infrastructure. Maintaining that drainage system is also critical. Mr.
16 Thacker explained past issues and changes over the years and provided background on why
17 these fees were imposed and the need to increase these fees. He explained the drainage
18 master plans and how they have been critical in guiding City officials as they required
19 infrastructure from developers, allocated City funds to projects, and forged partnerships with
20 other government agencies, i.e., UDOT, UTA, Davis County, Federal government. These
21 drainage master plans were updated in 1985, 1988, 1995, 2001, 2007 and 2013.
22

23 Many studies relating to floodplains and specific flood control projects were also done.
24 Mr. Thacker explained the need for ongoing funding and the issuance of bonds for storm drain
25 projects in 1980 and a property tax that was levied dedicated to retiring those bonds. The tax
26 levy was cancelled in 1995 when the bonds were completely paid off. He explained how a
27 citizen's committee was appointed in 1996 to study the need for ongoing funding dedicated to
28 maintaining the drainage system. The Committee recommended the creation of a Drainage
29 Utility—a separate enterprise operation funded by a monthly user fee. Following several public
30 hearings in 1998 & 1999, the City Council created the Drainage Utility and imposed a monthly
31 stormwater fee (known as "drainage utility" fee on current utility bills) of \$4 per single-family
32 home. Other property owners—schools, churches, businesses, apartment buildings—were
33 assessed higher monthly fees based on the amount of hard surface on those properties, per a
34 formula that compared to the average hard surface on a single-family home lot. Mr. Thacker
35 further stated that in 2001, after further study of the subdrain systems, the City Council added a
36 "subsurface drain" user fee to the monthly utility bill of \$2 per month per home, or \$6 per month
37 if the home is within an area served directly by a subdrain system. He explained the rationale
38 for charging the \$2 monthly fee city-wide.
39

40 With subsurface drain fees, the City took over maintenance of subdrains within public
41 roadways and accepted the transfer of ownership and maintenance of portions of the drainage
42 swales along the Frontage Road, which had previously been the responsibility of homeowner
43 associations in adjacent subdivisions with subdrain systems. Mr. Thacker said the new
44 dedicated revenue source (storm water and subsurface fees) enabled the City to establish a
45 maintenance program that includes regular inspection and cleaning of storm drain and
46 subsurface facilities, more frequent street sweeping to keep debris from getting into drainage
47 pipes, maintenance of the Frontage Road drainage swales and resolving other drainage
48 problems. He said many of the new and replacement facilities have been made possible
49 through partnerships, as mentioned earlier.
50

51 Mr. Thacker explained that the storm drain and subdrain user fees have not increased
52 since being imposed in 1999 and 2001. The 2013 update of the Drainage Master Plan identifies

1 many existing pipes and culverts needing replacement or enlargement over the next 20 years.
2 The City will need to replace many old drainage systems that are over 50 years old. Many of
3 these systems are old corrugated metal pipes that have rusted and deteriorated over time. This
4 need will be particularly heavy in the next five years. Mr. Thacker explained other projects that
5 will need to be done, possibly with cost-sharing opportunities with other agencies.
6

7 To be able to fund these many projects, as well as sustain the drainage system
8 maintenance program into the future, a significant increase is needed in the current user fees.
9 The City Council has been studying a number of possible rate increase scenarios—both with
10 and without the issuance of debt. The City Council narrowed it down to three scenarios which is
11 the subject of the public hearing tonight. Citizens now have been given the opportunity to review
12 and give their feedback to the City Council.
13

14 Mr. Thacker asked Fred Philpot to explain the Rate Study Summary and the three
15 scenarios. Mr. Philpot stated that their objective is to look at the needs of the utility, the
16 enterprise fund, and make sure that several high level objectives are met, as well as ensuring all
17 of the details of the Capital Improvement Plan can be funded. They are primarily looking at
18 whether this utility has revenue sufficiency, to make sure there is sufficient capital to cover the
19 costs and any unforeseen circumstances that might arise. Mr. Philpot went over some of the
20 assumptions of the existing debt service through 2021. He explained that in 2021 there will no
21 longer be a debt service payment for the storm drain utility if no new debt is issued. Mr. Philpot
22 explained the Capital Improvement Plan and Repair and Replacement costs and the
23 fluctuations in certain years, with the total 10-year capital cost being \$6.322 million. Based on
24 those assumptions they narrowed down their approach to three scenarios—Scenario A: One-
25 time rate increase (no debt); Scenario B: Five-year staggered increase (with debt); and
26 Scenario C: Two-year staggered increase (no debt). Scenario A would be a one-time increase
27 of 112% and then would stay constant in the five-year period they are looking at. Scenario B
28 would include new debt, which would be issuing \$2.2 million in bonds and try to mitigate the rate
29 increases over time. The rate increases would be 37%, 25% and subsequent smaller increases
30 at 6% and then 5% thereafter to get the rate revenues built up over time, but in order to do that
31 bonds have to be issued. Scenario C is a two-year staggered increase at 70% and 37% without
32 debt.
33

34 Mr. Philpot explained the rates for the different scenarios for both the storm drain fee
35 (per ESU) and subdrain fee (per EDU) for the five year projections. He also noted the 10-year
36 total revenues for the three scenarios—A-\$13,366,681; B-\$11,947,926; C-\$14,264,409. Mr.
37 Philpot explained the other slides in his presentation regarding debt service coverage ratio and
38 days of working capital (the amount you have in the bank at the end of the year) in the three
39 different scenarios. He said looking at an affordability standpoint, the affordability index of 1.5%
40 of Median Household Income (MHI) is used as a benchmark. The Median Household Income for
41 Centerville is \$80,000. Looking at all the utilities the estimated total combined annual bill would
42 be \$698, which is .87% of MHI.
43

44 Mayor Cutler opened the public hearing at 7:51 p.m.
45

46 Rick Bingham, Centerville resident – Mr. Bingham said as he's listened through the
47 presentations and looked at the options, he has four questions come to mind. He would like to
48 get answers to these questions before he makes his determination.

- 49 1) How much of our current fees are going to pay the current debt?
- 50 2) Under Option C, what is the effective rate increase to homeowners at the end of the
- 51 increase period?

- 1 3) Once the drains are fixed and paid through the rate increase, will the fee be reduced
2 to a maintenance level?
3 4) Had the City not gone with UTOPIA, could that money have been allocated to
4 provide for our storm drain improvements?
5

6 Steve Thacker, City Manager responded to the first question. He said that for this fiscal
7 year \$67,000 is being used for debt service. It will increase each year until 2021, when its
8 \$212,000.

9 Fred Philpot responded to question No. 2. He said the total rate of increase would be
10 133% as compared to the Scenario A increase of 112%.

11 Mayor Cutler and Steve Thacker responded to question No. 3. Mayor Cutler said that he
12 doesn't know what a future City Council would do. They can't mandate a future City Council.
13 Steve Thacker said that there will continue to be projects over that 20 year window that show in
14 the Master Plan, but there is a heavier load in the first 5-10 years. It would be safe to say that it
15 would never be reduced to just a maintenance fee because there would still be projects to be
16 paid for.

17 Mayor Cutler responding to question No. 4 said that utilities that show up on our utility
18 bill should be self-sustaining enterprises--we should pay the fee to cover the costs. Fire service
19 and police service do not show on our utility bills, these come out of the General Fund. In theory
20 General Fund money could be used to subsidize storm drains, but it has been the City's
21 philosophy in the last ten plus years that utilities such as storm drainage, water and garbage
22 should be self-sustaining.

23
24 Mr. Bingham said he would encourage the Council not to put the City into further debt.
25 He would prefer the City go with Option A or Option C. He himself prefers Option A.

26
27 Dale McIntyre, Centerville resident – Mr. McIntyre explained how much of his dollar
28 would go toward the drainage system versus the debt and he would prefer Scenario A or C.

29
30 Kevin Rawlings, Centerville resident – Mr. Rawlings asked how much of the debt is
31 proposed and for how long it is covered? Steve Thacker responded that Scenario B assumes
32 about \$2.2 million issued in 2017. It would be about \$2 million in debt and \$4 million in "pay as
33 you go" to cover that \$6 million in capital projects and assumes a 20-year payback. Mr. Philpot
34 explained the interest rate assumptions to Mr. Rawlings. Not knowing what the interest rate will
35 be in 2017, Mr. Philpot assumed 4 ½ %, which would be approximately \$1 million of interest
36 costs in the proposed debt under Scenario B. Mr. Rawlings said he knows the difference
37 between storm drain and subdrain but wanted clarification on the two costs. Mr. Thacker
38 explained the difference between the two and the fees. Mr. Rawlings said he would prefer that
39 the City not go into debt any more.

40
41 Dean Brenchley, Centerville resident – Mr. Brenchley said he is a financial advisor and
42 deals a lot with issuing municipal bonds. He said the least cost scenario as he sees it has to do
43 with bonding. He said interest rates are low now so he felt the City should bond now and not
44 wait until 2017, which would make the fees less. He said he doesn't like the idea of debt, but he
45 wants to do it as cheaply as he can. He wants to pay his fair share and have those that come
46 after him pay their fair share. If he has to pay it all upfront, he is paying for something that he is
47 not going to get the benefit from. So he is leaning to Scenario B.

48
49 Jeff Thomas, Centerville resident – Mr. Thomas said he loves Centerville and plans on
50 living here a long time. He thinks the City should take the bull by the horns and bite the bullet
51 today. Let's pay for our debt today and not pass it onto others.
52

1 Grover Marsh, Centerville resident – Mr. Marsh said he has worked for Salt Lake County
2 for 21 plus years. He said Centerville isn't the only entity that is struggling with storm drain
3 costs. Salt Lake County is going through the same thing and he knows it is something that
4 needs to be addressed. He would prefer Scenario A and limit debt as much as possible. Mr.
5 Marsh asked the question of whether any of the pipes are being sized for hillside development
6 east of Island View Drive.

7 Kevin Campbell, City Engineer, said the City has not anticipated any development east
8 of Island View Drive in this study. Mr. Campbell explained that sometimes in these
9 neighborhoods the pipes are larger than they need to be because they have a minimum size of
10 15 inch diameter so the City can keep them maintained and keep them clean. He explained the
11 difference when they replace the old corrugated pipes with the reinforced concrete pipe of the
12 same diameter that it will actually carry more water because there are no ribs in the concrete
13 pipe.

14
15 Kyle Green, Centerville resident – Mr. Green said he was born and raised in Centerville
16 and bought a home here. He would prefer to go with Scenario A because he believes that if you
17 don't have the money to pay for it, you don't do it. He doesn't like the helpless feeling of
18 knowing a payment is coming due. He would like to see the City make the decision to avoid
19 getting into further debt.

20
21 Lee Skabelund, Centerville resident – Mr. Skabelund said he is a long-time Centerville
22 resident. He expects to pay for the benefits he gets and not pass the debt onto someone that
23 comes after him. He is in favor of Scenario A. He said he is willing to shoulder the cost now to
24 maintain the City's financial flexibility in the future.

25
26 As no one else wished to speak, Mayor Cutler closed the public hearing at 8:35 p.m.

27
28 **MINUTES REVIEW AND ACCEPTANCE**

29
30 The minutes of the February 3, 2015 work session and regular Council meeting were
31 reviewed. Councilwoman Fillmore requested a change to the work session minutes.
32 Councilman Higginson requested a change to the regular City Council meeting minutes.
33 Councilman Wright made a **motion** to approve both sets of the February 3, 2015 minutes as
34 amended. Councilwoman Fillmore seconded the motion, which passed by unanimous vote (5-
35 0).

36
37 **SUMMARY ACTION CALENDAR**

- 38
39 a. Accept Waterline and Public Utility Easement for Legacy Trail PDO project located at
40 the southwestern corner of Parrish Land and 1250 West
41 b. Commence warranty period for Pine Hills Subdivision

42
43 Lisa Romney, City Attorney, reminded the Council of the updated Exhibits she added to
44 NovusAgenda regarding item (a) on the agenda.

45
46 Councilman Wright made a **motion** to approve items (a) and (b) on the Summary Action
47 Calendar. Councilman Averett seconded the motion, which passed by unanimous vote (5-0).
48

NOTICE OF INTENT TO SUBMIT RAP TAX OPINION QUESTION TO VOTERS

Lisa Romney, City Attorney, had stepped out of the meeting, therefore, Mayor Cutler explained that the written Notice of Intent to the County was the first step to start the process of getting the opinion question regarding renewal of the RAP Tax on the ballot in the next municipal election being held in November 2015.

Councilwoman Stephanie Ivie made a **motion** to approve the written Notice of Intent to the County and authorize the Mayor to sign and send the Notice of Intent to the Davis County Commissioners initiating the process for reauthorization of RAP Tax. Councilman Wright seconded the motion, which passed by unanimous vote (5-0).

FINANCIAL REPORT

Due to the absence of Finance Director Blaine Lutz, Steve Thacker, City Manager reported on the Financial Report for the seven-month period ending January 31, 2015. He went over several items in the report. Council members made comments and Mr. Thacker responded to questions from the Council.

MAYOR'S REPORT

Mayor Cutler reported that progress is slowing moving forward on a taxing district for the Fire Agency. There will be more discussions on how that will be structured with cities who are in or choose not to join the district.

Mayor Cutler also reported on HB 285 to change updating the building codes from every 3 years to every 9 years. There is concern with that bill.

Mayor Cutler informed the Council that the UTOPIA financials continue to improve at similar levels every month with \$10,000 - \$15,000 worth of improvement that is lowering the operating deficit. He said given the RUS settlement of \$10 million dollars, UTOPIA started to get the wheels moving on new build areas. There are some areas in Layton that are under consideration for being built out. He said UTOPIA is trying to evaluate the highest take rate potential versus the cost and look at a few more areas for build out. He thinks this is a positive sign. Mayor Cutler said in the past few months several UTOPIA staff members have left UTOPIA to join the Google contractor in hopes that Salt Lake City would be awarded one of the next cities to get Google Fiber; however, they were not on the list, but they are still hoping to be on the next list. He said he is not sure how that will work out for those that left to go with the Google Fiber contractor.

Councilman Wright questioned why the \$10 million dollar RUS settlement was being used for new build areas rather than on operational assessments. Mayor Cutler explained that some of the smaller cities (including Centerville) were advocating for UTOPIA to take a portion of that settlement to cover operating costs for the next 1 ½ to 2 years, because it is projected that the deficit will be gone by that point. He said West Valley City (WVC), Layton and Midvale have hung together with the opinion that cities should continue to be assessed for operating expenses and all available funds should go into the ground to build new infrastructure. There was some discussion with the Council on whether Centerville would continue to pay their assessment. The City paid the assessment through December and some Council members were of the opinion that the Council decided not to pay anymore assessments after that payment. Mayor Cutler said the Council only decided on paying through December and the 3rd quarter payment has not been brought to the Council for a decision. He said the City has

1 received the invoice for January, February and March, which will have to be considered by the
2 City Council. He said the reality is in the short term, it is more an accounting issue than a cash
3 issue because there is a lot of money in the bank, but the question is which fund they put it in to.
4 WVC, Layton and Midvale feel that if you are a part of UTOPIA you should pay your fair share of
5 the costs. Others have another opinion that it's not worth fighting over. He said WVC, Layton
6 and Midvale continue to pay operating expenses.

7
8 Councilman Wright asked if UTOPIA was going to pay the City back for their costs in the
9 RUS lawsuit. Mayor Cutler said the City would get \$10,000, which would cover one month
10 assessment. He said the three cities who control the votes, their strategy is to continue to build
11 under the sweet spot plan in the short term. They Mayor gave an update on the Macquarie
12 option. In his opinion, Macquarie still puts a lot of the risk on the cities, even in Milestone 2.
13 Unofficially the cities are going to study it for a couple of months before making a decision.
14 Officially the plan is the six cities would have to put it on the ballot (referendum) in June to get
15 public support before moving forward. At this point in time, only three of the six cities are more
16 interested in moving forward. He said some of the other cities are considering whether they are
17 going to continue to pay the operating expenses, and some others are of the opinion that we are
18 all in this together and are getting benefit from it so should pay their share of the assessment.

19
20 Mayor Cutler explained that Murray was moving forward with their pilot program. They
21 have sent letters to all the residents that have disconnected explaining their new options to
22 reconnect. The UTOPIA Board has also allowed Murray to experiment with a 10 mega bit plan
23 at a lower cost. In a couple of months a decision will be made whether to let Centerville use the
24 lower cost plan for their residents. Councilman Wright asked about the First Digital Plan and if it
25 was still being studied. Mayor Cutler responded that it was not getting a lot of serious
26 consideration at this time because no other cities support it. The Mayor explained that
27 Centerville cannot go it alone. They would have to get permission from the UTOPIA Board and
28 follow the guidelines set up for submitting proposals. Murray is spending their own money to do
29 the marketing for their pilot program. Councilman Wright questioned if First Digital could come
30 up with an option for Centerville to submit a proposal to UTOPIA. City Attorney Romney said the
31 First Digital proposal just for Centerville doesn't make sense because we are built out and have
32 a fairly good take rate. Mayor Cutler said First Digital has publically come out with a deal with
33 Vineyard, which is a new city being built between Orem and Utah Lake. First Digital has an
34 exclusive deal to develop a lot of that, so they have kind of shifted their focus.

35
36 Mayor said in the Summary on the UTOPIA financials it shows their bond payment—
37 interest and principal expense are essentially coming from cities for that bond payment. He
38 said the detail financials would show what is being put into the pledge, and the money being
39 transferred to pay the bond.

40
41 Mayor Cutler advised the Council that in a few months there will be a vacancy on the
42 Planning Commission and asked the Council to be thinking about someone who could fill that
43 vacancy. Debbi Randall has asked not to be reappointed when her term expires in May of this
44 year.

45 46 CITY COUNCIL LIAISON REPORT

47
48 Councilman Wright, Council liaison to the Whitaker Museum Board, updated the Council
49 on Whitaker Museum Board issues and activities. He reviewed with the Council a few of the
50 activities that will be taking place in conjunction with the Centennial Celebration this year. He
51 said the Whitaker Museum Board wanted him to express their thanks for the support of the City.
52 Steve asked Councilman Wright to convey to the Board that it will take him more time to review

the Policy and Procedures document submitted to him and Lisa for review, since it is 30 pages long.

CITY MANAGER'S REPORT

Steve gave an update on the pedestrian bridge; the extension of 1250 West to Farmington; the Transportation Rally and the Transportation funding being considered by the Legislature; the meeting with the Haddads regarding development of their property; goal-setting calendar and discussed other work sessions scheduled for the next few months.

- March 3, 5:15 p.m. – work session with ACE Disposal, current waste hauler and discussion of the Procurement Policy
- March 17 – joint work session with the Planning Commission regarding their priorities and a brief presentation on Complete Streets.
- March 24, 5:00 p.m. – special goal-setting work session
- April 21, 5:00 p.m. – work session with County Commissioners and discussion of the Temporary Sign Ordinance

Mayor Cutler asked if a notice on Outlook could be sent to the Council prior to each work session to remind the Council. Steve said he would have Marsha send out those meeting notices.

MISCELLANEOUS BUSINESS

Councilman Averett informed the Council that a CERT refresher is being offered February 26, 7 – 9:00 p.m. at the Canyon View Stake Center and invited the Council to attend. It is free to anyone who wants to attend.

Councilwoman Fillmore informed the Council that she checked on the basketball court at the Rec Center. The Rec Center contracts with the School District in the daytime hours and it is booked out all year for other events in the evening hours. She also wanted to check on getting Wi Fi in all the parks and what the cost would be.

APPOINTMENT

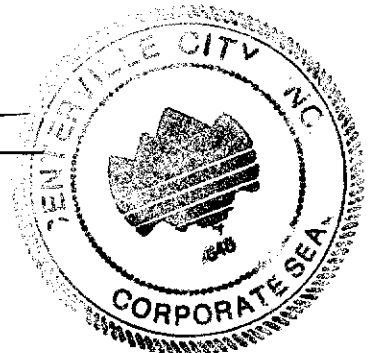
Mayor Cutler said he had received a Statement of Interest from Greg Gunnell to serve on the Trails Committee. He would like to appoint him to serve a three-year term on the Trails Committee. Councilman Wright made a **motion** to appointment Greg Gunnell to a three-year term on the Trails Committee. Stephanie Ivie seconded the motion and approved unanimously (5-0). Councilwoman Ivie asked if he could be notified of the meeting for Thursday, February 19. Marsha Morrow said she would send him an email.

ADJOURNMENT

At 10:26 p.m. Councilman Wright made a **motion** to adjourn the meeting. Councilman Averett seconded the motion, which passed by unanimous vote (5-0).


Marsha L. Morrow, City Recorder

3-17-2015
Date Approved



7:00 p.m. C

ADDRESS**

717 E 100 S CENTERVILLE
258 E 200 S Centerville
2115 N. Ham St
333 W Chase
1148 N 300 E
1148 N. 500 E
496 E 675 W
426 S. 675 W.
322 E 1200 N
202 Casa Loma Dr
262 Park Lane -
874 E 725 S
600 E 400 S
290 E Casa Loma Dr.
437 E 800 N.
86 W. 1750 N.
225 E 800 S.

** Your address will be used only in the event the City staff needs to contact you pertaining to an issue discussed in the City Council meeting.